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TOWN OF ORONO, MAINE

Annual Financial Report

For the year ended June 30, 2016

TOWN OF ORONO, MAINE
Annual Financial Report
For the year ended June 30, 2016

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Independent Auditor's Report

Town Council
Town of Orono, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Orono, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orono, Maine as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress, the schedule of Town's proportionate share of the net pension liability, and the schedule of Town contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orono, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2017 2016 on our consideration of the Town of Orono, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orono, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

April 3, 2017
South Portland, Maine

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

As management of the Town of Orono, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Orono, Maine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,588,931 (*net position*, Statement 1). Of this amount, \$7,447,544 was reported as unrestricted net position (Statement 1). Unrestricted net position is the amount available to be used to meet the Town's ongoing obligations to citizens and creditors. The Town of Orono, Maine's total net position decreased by \$1,047,485 (Statement 2). This represents a decrease of \$887,791 in governmental activities and a decrease of \$159,694 in business-type activities (Sewer).
- As of the close of the current fiscal year, the Town of Orono, Maine's governmental funds reported a combined ending fund balance of \$9,472,806 (Statement 3), which is a decrease of \$3,998,397 (Statement 4) from the prior fiscal year. Of the total decrease, \$785,220 is shown in the General Fund, \$3,133,299 is attributable to the Public Works Building Fund, and the remaining \$79,878 is shown in other governmental funds. The decrease in governmental fund balance is primarily due to the decrease in the Public Works Building Fund, which is due to the Town receiving bond proceeds in the prior year that were expended in the current year.
- The Town of Orono, Maine's General Fund reports an unassigned fund balance of \$2,541,574 (Statement 3); however, the other governmental funds have a deficit unassigned fund balance of (\$125,693) (Statement 3), leaving the Town with a total unassigned fund balance of \$2,415,881 (Statement 3). Total unassigned fund balance increased by \$113,186 from the prior fiscal year.
- Assigned fund balance (Statement 3) has decreased from the previous fiscal year by \$1,009,600 to \$5,318,251. This decrease in assigned fund balance was driven by the decrease in General Fund Reserve fund balances, as well as the decrease in OEDC (Orono Economic Development Corporation) outstanding principal and interest due to regularly scheduled payments made during the year.
- The Town did not issue any new bonds during FY 2016. As of June 30, 2016, the total outstanding bond principal of the Town, including Sewer fund bonds, was \$21,614,120.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Town's basic financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information (RSI) and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with an overview of the Town of Orono, Maine's finances, in a manner similar to a private-sector business.

The *Statement of Net Position*, Statement 1, presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *Statement of Activities*, Statement 2, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

Both of the government-wide financial statements distinguish functions of the Town of Orono, Maine that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public services, public safety, public works, and education. The Town has one business-type activity, which is the Sewer Fund.

Financial Analysis of the Town as a Whole - Government-wide Financial Statements

Statement of Net Position

As previously noted, the statement of net position balances all of the Town's assets and deferred outflows of resources, the resources the Town can use to provide services and operate the government, against all of its liabilities and deferred inflows of resources, its obligations to turn over resources to other organizations or individuals, with the difference being reported as net position. Net position is what the Town would have left over after satisfying all of its liabilities.

The following schedule is a summary of net position for the years ended June 30, 2016 and June 30, 2015.

	Governmental Activities			Business-type Activities		
	2016	2015	Change	2016	2015	Change
ASSETS						
Current and other assets	\$ 11,106,006	14,952,490	(3,846,484)	2,376,825	2,399,472	(22,647)
Capital assets	18,406,658	15,578,326	2,828,332	11,720,079	12,070,356	(350,277)
Total assets	29,512,664	30,530,816	(1,018,152)	14,096,904	14,469,828	(372,924)
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources -						
related to pensions	487,998	382,635	105,363	-	-	-
Total deferred outflows of resources	487,998	382,635	105,363	-	-	-
LIABILITIES						
Current liabilities	1,226,275	1,004,939	221,336	55,882	128,195	(72,313)
Noncurrent liabilities	16,536,644	16,279,204	257,440	8,304,282	8,445,199	(140,917)
Total liabilities	17,762,919	17,284,143	478,776	8,360,164	8,573,394	(213,230)
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources -						
related to pensions	385,552	889,326	(503,774)	-	-	-
Total deferred inflows of resources	385,552	889,326	(503,774)	-	-	-
NET POSITION						
Net investment in capital assets	5,104,940	4,189,554	915,386	3,435,079	3,640,356	(205,277)
Restricted	1,601,368	4,840,657	(3,239,289)	-	-	-
Unrestricted	5,145,883	3,709,771	1,436,112	2,301,661	2,256,078	45,583
Total net position	\$ 11,852,191	12,739,982	(887,791)	5,736,740	5,896,434	(159,694)

The Town of Orono, Maine's governmental activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,852,191, and business-type activities assets exceeded its liabilities by \$5,736,740 for a total net position of \$17,588,931 at the close of the most recent fiscal year. The summary above shows a 7.0% decrease in net position for governmental activities and a 2.7% decrease in net position for business-type activities from the prior fiscal year.

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond proceeds. The Town of Orono, Maine uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

It should be noted that 42.3% of the Town's net position is available to be used to meet the Town's ongoing obligations to its citizens and creditors.

Statement of Activities

As stated earlier, the statement of activities reports the current year change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Town of Orono, Maine's net position decreased \$1,047,485 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The Town's governmental activities' net position decreased by \$887,791.
- **Business-type activities:** The Town's single business-type activity, the sewer district, decreased the Town's net position by \$159,694.

The following schedule is a summary of the statement of activities for the years ended June 30, 2016 and June 30, 2015:

	Governmental Activities			Business-type Activities		
	2016	2015	Change	2016	2015	Change
Revenues:						
Program revenues:						
Charges for services	\$ 707,169	1,685,058	(977,889)	1,557,192	1,918,064	(360,872)
Operating grants and contributions	124,574	213,388	(88,814)	-	-	-
Capital grants	306,268	239,073	67,195	-	-	-
General revenues:						
Taxes	12,050,291	11,453,105	597,186	-	-	-
Intergovernmental	1,804,629	1,756,108	48,521	-	-	-
Investment earnings	83,398	98,055	(14,657)	21,565	18,270	3,295
Miscellaneous	24,844	103,630	(78,786)	-	-	-
Loss on disposal	(108,942)	(16,709)	(92,233)	(1,074)	-	(1,074)
Transfers	136,325	122,825	13,500	(136,325)	(122,825)	(13,500)
Total revenues	15,128,556	15,654,533	(525,977)	1,441,358	1,813,509	(372,151)
Expenses:						
Primary government:						
General government	2,255,887	1,522,884	733,003	-	-	-
Public services	934,709	914,781	19,928	-	-	-
Public safety	3,306,699	3,127,065	179,634	-	-	-
Public works	1,966,369	1,755,038	211,331	-	-	-
Education	5,902,884	5,814,358	88,526	-	-	-
County tax	529,159	495,096	34,063	-	-	-
Unclassified	67,587	138,652	(71,065)	-	-	-
Interest on debt service	496,518	435,537	60,981	-	-	-
Capital maintenance	556,535	521,188	35,347	-	-	-
Sewer services	-	-	-	1,601,052	1,573,039	28,013
Total expenses	16,016,347	14,724,599	1,291,748	1,601,052	1,573,039	28,013
Change in net position	(887,791)	929,934	(1,817,725)	(159,694)	240,470	(400,164)
Net position, July 1	12,739,982	11,810,048	929,934	5,896,434	5,655,964	240,470
Net position, June 30	\$ 11,852,191	12,739,982	(887,791)	5,736,740	5,896,434	(159,694)

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

Total governmental activities revenues (\$15,128,556) decreased by 3.4% from fiscal year 2015. This was driven primarily by a decrease in charges for services as well as a larger loss on disposal of capital assets in the current year. Increases in property taxes, excise taxes, and capital grants partially offset the decrease in total revenues.

Total governmental activities expenses (\$16,016,347) increased this year by 8.8% over fiscal year 2015. This increase was driven primarily by increases in costs for general government, public safety, public works, and education. The largest increase was in general government, and this was primarily driven by an increase in the Town's net pension liability. The net pension liability is actuarially determined and represents the Town's proportionate share of the MePERS net pension liability for the PLD Plan. For more information on the net pension liability, please refer to the notes to the basic financial statements.

Total governmental activities' expenditures exceeded total revenues by \$887,791 (Statement 2) resulting in a negative change in net position.

Financial Analysis of the Government's Funds

Governmental Funds:

As of the end of the current fiscal year, the Town of Orono, Maine's governmental funds reported combined ending fund balances of \$9,472,806, a decrease of \$3,998,397 in comparison with the prior year. Approximately 25.5% of this total amount (\$2,415,881) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$7,056,925) is not available for new spending because it has already been set aside in its use for various capital and other governmental purposes (\$1,601,368), assigned to specific uses (\$5,318,251), or is in a nonspendable form (\$137,306). Restricted funds include Tax Increment Financing (TIF) funds (\$1,065,616), the Public Works Building Fund (\$75,049), and Other Governmental Funds (\$460,703).

As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance (\$2,415,881) (Statement 3) represents 12.5% of the total governmental funds expenditures (\$19,336,567) (Statement 4); total governmental fund balance (\$9,472,806) (Statement 3) represents 49.0% of total governmental funds expenditures.

Business-type Activities:

The Town operates one business-type activity classified as an enterprise fund. Enterprise funds are self-sustaining funds designed to be mostly funded through user fees and grants. The Town's enterprise fund is more commonly referred to as the Sewer Fund and it holds all of the financial activity related to running and maintaining the water pollution control facility (WPCF).

For a detailed look at both the fiscal year 2016 balance sheet and statement of revenues, expenses, and changes in net position, please see pages 17 and 18 of the audited financial statements.

Net position of the Town's sewer district decreased by \$159,694 to \$5,736,740 (Statement 8). Operating income (operating revenues less operating expenses) was \$223,725 while net non-operating revenues and expenses and transfers out were (\$383,419). Of the total net position as of the end of the fiscal year, the amount classified as net investment in capital assets was \$3,435,079 and unrestricted net position made up the other \$2,301,661. Unrestricted net position represents 172.6% of current year operating expenses (\$1,333,467) (Statement 8).

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

Fund Financial Statements

For governmental activities, these statements focus on how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Financial Analysis of the Town's Funds - Fund Financial Statements

Our analysis of the Town's major funds begins with the fund financial statements and provides detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State law. However, many other funds are established to help control and manage money for particular purposes or to show that the Town is meeting legal responsibilities for using certain taxes, grants, and other money. The Town reports governmental funds and a proprietary fund.

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and governmental funds in reconciliation at the bottom of the fund financial statements (Statement 3 and Statement 5).
- Proprietary funds -The Town maintains one type of proprietary fund, an enterprise fund. Enterprise funds, as described above, are required to be used to account for operations for which a fee is charged to external users for goods or services. Enterprise funds are reported using the accrual basis of accounting. The Town's Enterprise fund accounts for sewer operations.

Noteworthy Special Revenue/Trust/Capital Project Funds

A detailed list of reserves can be found under Exhibit A-3 of the audited financial statements. This list includes beginning balances, additions, reductions and ending balances for the reserves as of the end of the fiscal year.

The capital equipment reserve fund is available to absorb the cost of equipment that would otherwise be purchased through the normal operating budget. The utilization of a reserve fund allows the Town to reach into a "savings account" for larger purchases to reduce the year-to-year impact on the taxpayer. It is funded during each fiscal year by an assigned appropriation within the operating budget as well as by transfers from the unassigned fund balance remaining at the end of the previous fiscal year. As of the end of the fiscal year, the capital equipment reserve fund had a balance of \$678,144.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual located on page 16 of the audited financial statements shows, on a budgetary basis, both the approved budget for each revenue and expenditure category as well as the effects on the budgetary fund balance at the end of the year. A more detailed and expanded version of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
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Actual can be found in Exhibit A-2 of the audited financial statements. This schedule shows the details within each revenue and expenditure category.

Capital Assets

The Town of Orono's capital assets for its governmental activities as of June 30, 2016 amounts to \$32,387,043, net of accumulated depreciation of \$13,980,385, leaving a net book value of \$18,406,658. This is an increase of \$2,828,332 from fiscal year 2015. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, as well as infrastructure. Capital asset additions for the year ending June 30, 2016 included, but were not limited to, the following: infrastructure improvements related to sidewalks and drainage on Island Avenue (\$219,181), road improvements to Crosby Street (\$126,168), miscellaneous storm water outflow repairs (\$72,983), lighting improvements on Godfrey Drive (\$210,587); equipment purchases including two police cruisers (\$74,118), Fire Department pick-up truck (\$18,446), financial software (\$31,151), and new digital camera system for the Police Department (\$10,746); and additions to construction in progress for various ongoing projects (\$3,352,795). Total governmental activities capital asset additions for the year ending June 30, 2016 were \$3,922,520.

The Town of Orono's capital assets for its business-type activities as of June 30, 2016 amounts to \$18,179,525, net of accumulated depreciation of \$6,459,446, leaving a net book value of \$11,720,079. This is a decrease of \$350,277. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and sewer infrastructure. Capital asset additions for the year ending June 30, 2016 included, but were not limited to, the following: purchase of new financial software system (\$10,386); improvements to the University Interceptor (\$114,977) as well as main lines on Water Street (\$27,850) and Forest Avenue (\$23,600); adjusting grade and replacing rings and covers of manholes on College Avenue and Main Street (\$22,400); and project design for upgrades to Charles Street and a portion of the Stillwater Interceptor (\$13,765). Total business-type activity capital asset additions for the year ending June 30, 2016 were \$253,055.

Long-term Debt

At year-end, the Town had \$21,614,120 in outstanding bonds compared to \$22,658,750 in 2015. This is comprised of governmental activities bonds of \$13,329,120 and business-type activities bonds of \$8,285,000.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation, with a further limit of no more than 7.5% of state assessed valuation in enterprise fund debt. As of June 30, 2016, the Town's state assessed valuation was \$420,050,000. Thus, the current debt limitation for the Town of Orono as a whole is \$63,007,500 (15%) and \$31,503,750 (7.5%) for its Sewer Fund, far exceeding the Town's outstanding general obligation debt.

TOWN OF ORONO, MAINE
Management's Discussion and Analysis
June 30, 2016

HISTORICAL ASSESSMENTS AND MIL RATES

<i>Historical Tax Commitments</i>					
<i>Fiscal Year</i>	<i>Assessed Valuation</i>	<i>Valuation Increase/(Decrease)</i>	<i>Total Commitment</i>	<i>Mil Rate per \$1,000</i>	<i>Mil Rate Increase/(Decrease)</i>
2003	\$258,835,900	Base year	\$ 6,151,647	\$ 24.30	Base Year
2004	\$270,982,200	4.69%	\$ 6,801,653	\$ 25.10	3.29%
2005	\$289,534,200	6.85%	\$ 7,006,728	\$ 24.20	-3.59%
2006	\$308,880,270	6.68%	\$ 7,135,134	\$ 23.10	-4.55%
2007	\$343,897,190	11.34%	\$ 7,565,738	\$ 22.00	-4.76%
2008	\$392,874,635	14.24%	\$ 7,857,493	\$ 20.00	-9.09%
2009	\$417,499,265	6.27%	\$ 8,224,735	\$ 19.70	-1.50%
2010	\$408,312,500	-2.20%	\$ 8,492,000	\$ 20.80	5.58%
2011	\$415,448,300	1.75%	\$ 8,620,552	\$ 20.75	-0.24%
2012	\$413,922,200	-0.37%	\$ 8,816,656	\$ 21.30	2.65%
2013	\$418,583,000	1.13%	\$ 9,041,393	\$ 21.60	1.41%
2014	\$442,456,800	5.70%	\$10,264,998	\$23.20	7.41%
2015	\$456,522,000	3.18%	\$10,888,050	\$23.85	2.80%
2016	\$462,939,500	1.41%	\$11,295,724	\$24.40	2.30%
2017	\$483,528,800	4.45%	\$12,015,691	\$24.85	1.84%

LOOKING AHEAD

In FY 2017, the Town is not anticipating any significant changes to operations, revenue streams, or expenses/expenditures. As the Council works to implement the newly adopted Comprehensive Plan, there will be particular attention paid to adopting strategies aimed at increasing the Town's taxable valuation. The Town Council will also continue its efforts to find the balance between providing high quality and requested Town services and the increasing tax burden borne by our residents.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 59 Main Street, Orono, Maine or call 207-866-2556. Citizens are welcome to visit with the appropriate staff on any financial matters.

TOWN OF ORONO, MAINE
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,831,245	2,071,008	11,902,253
Investments	333,581	-	333,581
Receivables:			
Accounts receivable	202,234	325,412	527,646
Rescue receivable (net of allowance of \$413,868)	91,254	-	91,254
Taxes receivable - current year	266,528	-	266,528
Taxes receivable - prior years	224,263	-	224,263
Receivable - RSU #26 debt service payments	132,500	-	132,500
Prepaid expenses	4,806	-	4,806
Internal balances	19,595	(19,595)	-
Nondepreciable capital assets	2,994,266	44,573	3,038,839
Depreciable capital assets, net	15,412,392	11,675,506	27,087,898
Total assets	29,512,664	14,096,904	43,609,568
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	487,998	-	487,998
Total deferred outflows of resources	487,998	-	487,998
LIABILITIES			
Accounts payable	431,974	5,045	437,019
Accrued payroll and benefits	203,787	7,448	211,235
Accrued interest	118,975	43,389	162,364
Performance bond liability	466,110	-	466,110
Taxes paid in advance	5,429	-	5,429
Noncurrent liabilities:			
Due within one year	957,266	155,000	1,112,266
Due in more than one year	15,579,378	8,149,282	23,728,660
Total liabilities	17,762,919	8,360,164	26,123,083
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	385,552	-	385,552
Total deferred inflows of resources	385,552	-	385,552
NET POSITION			
Net investment in capital assets	5,104,940	3,435,079	8,540,019
Restricted	1,601,368	-	1,601,368
Unrestricted	5,145,883	2,301,661	7,447,544
Total net position	\$ 11,852,191	5,736,740	17,588,931

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Activities
For the year ended June 30, 2016

For the year ended June 30, 2020					Net (expense) revenue and changes in net position		
Functions/programs	Expenses	Program revenues			Primary Government		Total
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 2,255,887	146,868	5,654	-	(2,103,365)	-	(2,103,365)
Public services	934,709	137,068	9,008	235,000	(553,633)	-	(553,633)
Public safety	3,306,699	404,853	31,704	-	(2,870,142)	-	(2,870,142)
Public works	1,966,369	18,380	78,208	71,268	(1,798,513)	-	(1,798,513)
Education	5,902,884	-	-	-	(5,902,884)	-	(5,902,884)
County tax	529,159	-	-	-	(529,159)	-	(529,159)
Unclassified	67,587	-	-	-	(67,587)	-	(67,587)
Interest on debt service	496,518	-	-	-	(496,518)	-	(496,518)
Capital maintenance expenses	556,535	-	-	-	(556,535)	-	(556,535)
Total governmental activities	16,016,347	707,169	124,574	306,268	(14,878,336)	-	(14,878,336)
Business-type activities:							
Sewer services	1,601,052	1,557,192	-	-	-	(43,860)	(43,860)
Total business-type activities	1,601,052	1,557,192	-	-	-	(43,860)	(43,860)
Total primary government	\$ 17,617,399	2,264,361	124,574	306,268	(14,878,336)	(43,860)	(14,922,196)
General revenues:							
Property taxes					\$ 11,339,244	-	11,339,244
Excise taxes					711,047	-	711,047
Motor vehicle registration fees					13,222	-	13,222
UMO reimbursements					662,931	-	662,931
PILOT payments					52,500	-	52,500
Franchise fees					57,873	-	57,873
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					864,623	-	864,623
Homestead exemption					128,489	-	128,489
Other State aid					38,213	-	38,213
Unrestricted investment earnings					83,398	21,565	104,963
Miscellaneous					11,622	-	11,622
Loss on disposal of capital assets					(108,942)	(1,074)	(110,016)
Transfers					136,325	(136,325)	-
Total general revenues					13,990,545	(115,834)	13,874,711
Change in net position					(887,791)	(159,694)	(1,047,485)
Net position - beginning					12,739,982	5,896,434	18,636,416
Net position - ending					\$ 11,852,191	5,736,740	17,588,931

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Balance Sheet
Governmental Funds
June 30, 2016

	General	Public Works Building	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,616,443	87,680	127,122	9,831,245
Investments	-	-	333,581	333,581
Receivables:				
Accounts receivable	202,234	-	-	202,234
Rescue receivable, net of allowance (\$413,868)	91,254	-	-	91,254
Taxes receivable - current year	266,528	-	-	266,528
Taxes receivable - prior years	224,263	-	-	224,263
Prepaid expenditures	4,806	-	-	4,806
Interfund loans receivable	157,919	-	-	157,919
Receivable - RSU #26 debt service payments	132,500	-	-	132,500
Total assets	\$ 10,695,947	87,680	460,703	11,244,330
LIABILITIES				
Accounts payable	431,974	-	-	431,974
Accrued payroll and benefits	203,787	-	-	203,787
Performance bond liability	466,110	-	-	466,110
Taxes paid in advance	5,429	-	-	5,429
Interfund loans payable	-	12,631	125,693	138,324
Total liabilities	1,107,300	12,631	125,693	1,245,624
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	393,400	-	-	393,400
Unavailable revenue - RSU #26 debt service payments	132,500	-	-	132,500
Total deferred inflows of resources	525,900	-	-	525,900
FUND BALANCES				
Nonspendable - prepaid expenditures	4,806	-	-	4,806
Nonspendable - long-term receivable	132,500	-	-	132,500
Restricted	1,065,616	75,049	460,703	1,601,368
Assigned	5,318,251	-	-	5,318,251
Unassigned	2,541,574	-	(125,693)	2,415,881
Total fund balances	9,062,747	75,049	335,010	9,472,806
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,695,947	87,680	460,703	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,406,658
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	393,400
Unavailable revenue - RSU #26 debt service payments	132,500
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued compensated absences	(208,256)
Bonds payable	(13,329,120)
Capital leases payable	(329,890)
Other postemployment benefits	(353,977)
Net pension liability with related deferred inflows and outflows of resources	(1,982,955)
Accrued interest	(118,975)
Landfill closure and postclosure costs	(230,000)

Net position of governmental activities	\$ 11,852,191
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TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	General	Public Works Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 12,061,891	-	-	12,061,891
Intergovernmental	1,795,178	-	1,400	1,796,578
Licenses and permits	129,574	-	-	129,574
Interest income	56,139	18,238	9,021	83,398
Charges for services	546,748	-	-	546,748
Other revenues	492,296	-	2,288	494,584
Total revenues	15,081,826	18,238	12,709	15,112,773
Expenditures:				
Current:				
General government	1,588,512	-	-	1,588,512
Public services	861,392	-	-	861,392
Public safety	3,054,828	-	-	3,054,828
Public works	1,425,591	-	-	1,425,591
Education	5,902,884	-	-	5,902,884
County tax	529,159	-	-	529,159
Unclassified	-	-	67,587	67,587
Debt service	1,138,326	199,999	-	1,338,325
Capital expenditures	1,616,751	2,951,538	-	4,568,289
Total expenditures	16,117,443	3,151,537	67,587	19,336,567
Deficiency of revenues under expenditures	(1,035,617)	(3,133,299)	(54,878)	(4,223,794)
Other financing sources (uses):				
Issuance of capital leases	89,072	-	-	89,072
Transfers-in	161,325	-	-	161,325
Transfers-out	-	-	(25,000)	(25,000)
Total other financing sources (uses)	250,397	-	(25,000)	225,397
Net change in fund balances	(785,220)	(3,133,299)	(79,878)	(3,998,397)
Fund balances, beginning of year	9,847,967	3,208,348	414,888	13,471,203
Fund balances, end of year	\$ 9,062,747	75,049	335,010	9,472,806

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2016

Net change in fund balances - total governmental funds (from Statement 4)	\$	(3,998,397)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays (\$3,922,520) exceeded depreciation expense (\$985,246) and the net book value of disposed assets (\$108,942).		2,828,332
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.		(11,600)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; alternatively, some expenditures using current financial resources are not expensed in the statement of activities:

Accrued compensated absences		1,191
Other postemployment benefits		(39,717)
Landfill closure and postclosure costs		(80,000)
Accrued interest		8,427
Net pension liability with related deferred inflows and outflows of resources		(429,569)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt and capital leases increases long-term liabilities in the statement of net position. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of bonds (\$899,630) and capital leases (\$89,234) exceeded capital lease proceeds (\$89,072).		899,792
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The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #26 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$132,500. This is the principal paid off during the year.		(66,250)
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Change in net position of governmental activities (see Statement 2)	\$	(887,791)
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See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2016

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 11,992,474	11,992,474	12,061,891	69,417
Intergovernmental	1,740,076	1,740,076	1,795,178	55,102
Licenses and permits	104,100	104,100	129,574	25,474
Interest income	47,000	47,000	25,832	(21,168)
Charges for services	714,821	714,821	546,748	(168,073)
Other revenues	279,100	279,100	244,272	(34,828)
Total revenues	14,877,571	14,877,571	14,803,495	(74,076)
Expenditures:				
Current:				
General government	1,491,343	1,584,899	1,335,156	249,743
Public services	860,462	869,412	793,636	75,776
Public safety	3,001,070	3,047,517	3,050,575	(3,058)
Public works	1,507,347	1,512,347	1,425,591	86,756
Education	5,902,151	5,902,151	5,902,884	(733)
County tax	529,159	529,159	529,159	-
Debt service	437,837	437,837	437,837	-
Capital expenditures	1,354,137	1,670,947	1,404,634	266,313
Total expenditures	15,083,506	15,554,269	14,879,472	674,797
Excess (deficiency) of revenues over (under) expenditures	(205,935)	(676,698)	(75,977)	600,721
Other financing sources (uses):				
Transfers-in	862,284	862,284	744,784	(117,500)
Transfers-out	(1,018,349)	(1,018,349)	(1,018,349)	-
Utilization of assigned balance	-	470,763	-	(470,763)
Utilization of unassigned balance	362,000	362,000	-	(362,000)
Total other financing sources (uses)	205,935	676,698	(273,565)	(950,263)
Net change in fund balance, budgetary basis	-	-	(349,542)	(349,542)
Fund balance, beginning of year-budgetary basis			6,658,418	
Fund balance, end of year-budgetary basis			6,308,876	
Amounts held in reserves			2,753,871	
Fund balance, end of year			\$ 9,062,747	

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2016

Business-type Activities - Enterprise Funds		
		Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	2,071,008
Accounts receivable		325,412
Total current assets		2,396,420
Noncurrent assets:		
Capital assets:		
Land		44,573
Capital assets, being depreciated		18,134,952
Accumulated depreciation		(6,459,446)
Total capital assets, net		11,720,079
Total assets		14,116,499
LIABILITIES		
Current liabilities:		
Accounts payable		5,045
Accrued payroll and benefits		7,448
Accrued interest expense		43,389
Interfund loans payable		19,595
Current portion of bonds payable		155,000
Total current liabilities		230,477
Noncurrent liabilities:		
Accrued compensated absences		19,282
Bonds payable		8,130,000
Total noncurrent liabilities		8,149,282
Total liabilities		8,379,759
NET POSITION		
Net investment in capital assets		3,435,079
Unrestricted		2,301,661
Total net position	\$	5,736,740

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds	
	Sewer Fund
Operating revenues:	
Charges for services	\$ 1,557,192
Total operating revenues	1,557,192
Operating expenses:	
Personnel services	393,542
Contractual services	69,280
Supplies, maintenance and repairs	87,258
Utilities	132,167
Other expenses	48,962
Depreciation	602,258
Total operating expenses	1,333,467
Operating income	223,725
Nonoperating revenue (expense):	
Investment income	21,565
Interest expense	(267,585)
Loss on disposal of capital assets	(1,074)
Total nonoperating expense	(247,094)
Net loss before transfer	(23,369)
Transfer out - administrative expense reimbursement	(136,325)
Change in net position	(159,694)
Net position, beginning of year	5,896,434
Net position, end of year	\$ 5,736,740

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds		
		Sewer Fund
Cash flows from operating activities:		
Receipts from customers and users	\$	1,541,506
Payments to suppliers		(409,271)
Payments to employees		(389,459)
Net cash provided by operating activities		742,776
Cash flows from non-capital and related financing activities:		
Transfers to other funds		(136,325)
Net interfund loans		13,520
Net cash used in non-capital and related financing activities		(122,805)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(253,055)
Principal payments on bonds		(145,000)
Interest paid on bonds		(268,294)
Net cash used in capital and related financing activities		(666,349)
Cash flows from investing activities:		
Interest on cash and investments		21,565
Net cash provided by investing activities		21,565
Decrease in cash		(24,813)
Cash and cash equivalents, beginning of year		2,095,821
Cash and cash equivalents, end of year	\$	2,071,008
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	223,725
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		602,258
(Increase) decrease in assets:		
Accounts receivable		(15,686)
Increase (decrease) in liabilities:		
Accounts payable		(71,604)
Accrued compensated absences		4,083
Net cash provided by operating activities	\$	742,776

See accompanying notes to basic financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements
June 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Orono, Maine was incorporated in 1806 and operates under a Council-Manager form of Government, adopted by charter in 1969.

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made based on criterion set forth in GAAP. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of this criterion, there were no potential component units required to be included in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions, and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Public Works Building Fund* accounts for bond proceeds and project expenditures related to the construction of a new public works building.

The government reports the following major enterprise fund:

The *Sewer Fund* is used to account for expenses and revenues generated through wastewater services provided and collections from customers receiving the services, respectively.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value.

E. Interfund Loans Receivable/Payable

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Unbilled revenues from the Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. This amount is based on billings during the months following the close of the fiscal year.

G. Capital Assets

In the government-wide financial statements and in proprietary funds in the fund financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15-20 years; buildings and improvements, 20-50 years; infrastructure, 5-60 years; sewer items, 3-60 years; and vehicles and equipment, 3-15 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. Long-term accumulated vacation pay is reported only in the entity-wide statement of net position and in the proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Balance

Governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the governmental funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the Town Council, or a body or official delegated by the Town Council may assign unspent budgeted amounts to specific purposes in the General Fund at year end based on Department requests.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report deferred inflows of resources for unavailable revenue from property taxes and RSU #26 debt service payments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

M. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are formally adopted for the General Fund and are prepared on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The level of control (level at which expenditures may not exceed budget) is the department.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations for the following:

Contracted services	\$ 814	Haz-Mat	2,910
Fire department	4,330	PW – general maintenance	1,823
Fire protection	60,486	PW – town garage	6,848
Street lights	510	Educational assessment	733

C. Deficit Fund Balances

At June 30, 2016, the following funds had deficit fund balances:

Grant fund	\$ 125,693
OEDC reserve	6,443
OTO Fiber reserve	1,001

These deficits will be funded with future revenues or transfers from the general fund.

DEPOSITS AND INVESTMENTS

A. Deposits

The Town conducts all its banking and investment transactions with depository banks and investment firms.

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a deposit policy for custodial credit risk. As of June 30, 2016, the Town reported deposits of \$11,902,253 with a bank balance of \$12,007,700. Of the Town's bank balance of \$12,007,700, none was exposed to custodial credit risk as it was covered by F.D.I.C. or securities pledged on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 9,831,245
Reported in business-type activities	2,071,008
Total deposits	\$ 11,902,253

B. Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

Interest rate risk: In accordance with the Town's investment policy, excluding reserve and trust investments, investment maturities shall be less than one year. At June 30, 2016, the Town had the following investments and maturities:

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

<u>Investment Types</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Money Market	\$ 6,427	N/A	-	-
Mutual Funds	327,154	N/A	-	-
Totals	\$ 333,581	-	-	-

Investments have been reported as follows:

Reported in governmental funds	\$ 333,581
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Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the Town's investment policy, the securities are required to be held by a third party custodian. At June 30, 2016, the Town had no investments subject to custodial credit risk.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments at June 30, 2016 are Level 1 inputs.

PROPERTY TAX

Property taxes for the current year were committed on September 11, 2015 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments on October 9, 2015 and February 12, 2016. Interest was charged at 7% on all tax bills unpaid as of October 10, 2015 and February 13, 2016.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$164,692 for the year ended June 30, 2016.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

The following summarizes the 2016 levy:

	<u>2016</u>
Assessed value	\$ 462,939,500
Tax rate (per \$1,000)	24.40
Commitment	11,295,724
Supplemental taxes assessed	3,887
	11,299,611
Less:	
Abatements	3,914
Collections	11,029,169
Receivable at June 30	\$ 266,528
Interest rate on delinquent taxes	7.00%
Collection rate	97.64%

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations, the Town has numerous transactions between funds. Individual interfund receivable and payable balances and interfund transfers at June 30, 2016 arising from these transactions were as follows:

Governmental Activities:

Major funds:

General Fund	\$ 157,919	-	161,325
Public Works Building Fund	-	12,631	-

Other governmental funds:

Grant Fund	-	125,693	-
Library Construction	-	-	(25,000)

Business-type Activities

Sewer Fund	-	19,595	(136,325)
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Totals	\$ 157,919	157,919	-
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JOINT VENTURE

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net position of the MRC on December 31, 2015, the date of MRC's most recent audited financial statements, was \$905,650 (2.46%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2015, the MRC in turn owned 25.52% of the limited partnership interests in Penobscot Energy Recovery Company (PERC). Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2016, the Town's proportionate interest in PERC was 0.63%.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,805,552	-	-	2,805,552
Construction in progress	2,632,965	3,352,795	5,797,046	188,714
Total capital assets, not being depreciated	5,438,517	3,352,795	5,797,046	2,994,266
Capital assets, being depreciated				
Buildings	13,299,515	5,429,246	8,198,700	10,530,061
Improvements	418,128	52,499	35,513	435,114
Equipment	1,360,826	31,151	177,183	1,214,794
Vehicles	3,028,869	275,487	260,852	3,043,504
Infrastructure	13,590,916	578,388	-	14,169,304
Total capital assets, being depreciated	31,698,254	6,366,771	8,672,248	29,392,777
Less accumulated depreciation:				
Buildings	10,354,827	259,514	8,182,187	2,432,154
Improvements	239,764	19,561	34,236	225,089
Equipment	1,168,902	42,691	139,913	1,071,680
Vehicles	1,847,660	295,422	206,970	1,936,112
Infrastructure	7,947,292	368,058	-	8,315,350
Total accumulated depreciation	21,558,445	985,246	8,563,306	13,980,385
Total capital assets being depreciated, net	10,139,809	5,381,525	108,942	15,412,392
Governmental activities capital assets, net	\$ 15,578,326	8,734,320	5,905,988	18,406,658
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,573	-	-	44,573
Construction in progress	170,691	81,312	252,003	-
Total capital assets, not being depreciated	215,264	81,312	252,003	44,573
Capital assets, being depreciated:				
Sewer items	17,819,465	423,746	108,259	18,134,952
Total capital assets, being depreciated	17,819,465	423,746	108,259	18,134,952
Less accumulated depreciation:				
Sewer items	5,964,373	602,258	107,185	6,459,446
Total accumulated depreciation	5,964,373	602,258	107,185	6,459,446
Total capital assets being depreciated, net	11,855,092	(178,512)	1,074	11,675,506
Business-type activities capital assets, net	\$ 12,070,356	(97,200)	253,077	11,720,079

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 197,823
Public services	72,788
Public safety	248,323
Public works	466,312
Total governmental activities depreciation expense	\$ 985,246

Business-type Activities:

Sewer	\$ 602,258
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CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning			Ending	Amounts
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
Governmental Activities:					<u>One Year</u>
Bonds payable	\$ 14,228,750	-	899,630	13,329,120	860,986
Capital leases payable	330,052	89,072	89,234	329,890	96,280
Other postemployment benefits	314,260	51,776	12,059	353,977	-
Landfill closure and postclosure	150,000	80,000	-	230,000	-
Net pension liability	1,046,695	1,038,706	-	2,085,401	-
Accrued compensated absences	209,447	-	1,191	208,256	-
Total governmental activities	\$ 16,279,204	1,259,554	1,002,114	16,536,644	957,266
Business-type Activities:					
Bonds payable	\$ 8,430,000	-	145,000	8,285,000	155,000
Accrued compensated absences	15,199	4,083	-	19,282	-
Total business-type activities	\$ 8,445,199	4,083	145,000	8,304,282	155,000

LONG-TERM DEBT

Long-term debt payable at June 30, 2016 is comprised of the following:

	Date of	Original	Date of	Interest	Balance
	<u>issue</u>	<u>amount</u>	<u>maturity</u>	<u>rate</u>	<u>June 30,</u>
		<u>issued</u>			<u>2016</u>
Governmental activities:					
1997 General obligation bonds (1)	11/1/97	\$ 1,325,000	11/1/17	5.28-5.78%	132,500
2002 General obligation bonds	8/1/02	2,460,000	8/1/17	3.50-4.88%	410,000
2008 General obligation bonds	10/30/08	500,000	11/1/28	0.08-5.58%	325,000
2010 General obligation bonds	12/1/10	4,205,000	12/1/20	3.00-5.75%	2,540,000
2014 General obligation bonds	7/1/14	8,285,000	11/1/39	3.00-4.00%	7,965,000
2014 General obligation bonds	8/27/14	2,000,000	8/27/43	3.13%	1,956,620
Total governmental activities					\$ 13,329,120

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

Business-type activities:

2014 General obligation bonds	7/1/2014	\$ 8,565,000	11/1/2036	3.00-4.00%	8,285,000
Total business-type activities					\$ 8,285,000

(1) As of July 1, 2009, the Orono School Department joined Regional School Unit (RSU) #26. In accordance with the consolidation agreement, RSU #26 reimburses the Town when debt service payments related to the former School Department are due. The Town has recorded a receivable for \$132,500, which is the outstanding amount of bonds payable related to the former School Department.

The annual requirements to amortize bonds payable as of June 30, 2016 are as follows:

Year ending June 30,	Governmental		Business-type		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 860,986	483,774	155,000	263,794	1,763,554
2018	887,384	444,531	165,000	258,994	1,755,909
2019	822,575	407,194	330,000	251,569	1,811,338
2020	849,062	372,174	340,000	241,519	1,802,755
2021	1,415,595	319,025	350,000	231,169	2,315,789
2022-2026	2,252,704	1,244,024	1,935,000	987,918	6,419,646
2027-2031	2,328,894	880,310	2,300,000	670,725	6,179,929
2032-2036	2,362,765	496,953	2,710,000	254,065	5,823,783
2037-2041	1,250,597	137,403	-	-	1,388,000
2042-2044	298,558	18,844	-	-	317,402
	<u>\$ 13,329,120</u>	<u>4,804,232</u>	<u>8,285,000</u>	<u>3,159,753</u>	<u>29,578,105</u>

CAPITAL LEASES

The Town has entered into two lease agreements as lessee for financing the acquisition of vehicles and equipment. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2016:

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 96,280	9,154
2018	98,930	6,504
2019	101,652	3,782
2020	16,272	984
2021	16,756	499
Total	\$ 329,890	20,923

The amount capitalized as assets under capital leases totals \$407,000 for governmental activities.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Orono, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Orono, Maine is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report.

The Health Trust contracted with an outside consultant to assist in the determination and valuation of the District's OPEB liability under GASB Statement 45. The consultants completed the latest OPEB liability actuarial valuation in August 2014.

Plan Descriptions - The Town of Orono, Maine contributes to the Maine Municipal Employees Health Trust, an agent multiple-employer defined benefit postretirement healthcare plan. The Town sponsors a post-retirement benefit plan providing health and life insurance to retiring employees. Retirees that are eligible (reach age 55 with 5 years of continuous service) in the plan pay 100% of the coverage premium. Complete plan financial statements may be obtained from the Maine Municipal Employees Health Trust at 60 Community Drive, Augusta, ME 04330.

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of a postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

	2016	2015	2014
Normal cost	\$ 24,660	24,660	24,660
Amortization of unfunded	31,605	31,605	31,605
Interest	13,685	12,575	11,166
Adjustment to ARC	(18,174)	(16,570)	(14,533)
Annual required contribution	51,776	52,270	52,898
Contributions made	(12,059)	(24,544)	(17,669)
Increase in Net OPEB	39,717	27,726	35,229
Net OPEB obligation – beginning of year	314,260	286,534	251,305
Net OPEB obligation – end of year	\$ 353,977	314,260	286,534

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The following table represents the OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the two preceding years.

<u>Fiscal Year End</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 52,898	33.40%	286,534
June 30, 2015	52,270	46.96%	314,260
June 30, 2016	51,776	23.29%	353,977

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2016 and two preceding years are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial accrued liability	\$ 568,375	568,375	568,375
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 568,375	568,375	568,375
Funded ratio	0%	0%	0%
Covered payroll	\$ 3,363,923	3,592,872	3,622,238
Unfunded actuarial accrued liability as a percentage of covered payroll	16.90%	15.82%	15.69%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	4.0%
Rate of salary increases	3.0%
Ultimate rate of health trend costs	4.60%

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the Town to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the dates that the landfills stop accepting waste, the Town reports a portion of these closure and postclosure costs as a program expense in each year based on landfill capacity used as of each balance sheet date. The Town will recognize the remaining estimated cost of closure and postclosure care for the site as the remaining estimated capacity is filled.

The Town's landfill site is segregated into four cells: one active cell, two cells at maximum capacity that have been closed, and one undeveloped cell.

An engineering estimate was calculated for the closure and postclosure costs of the landfill as of June 30, 2016. The previous estimate was completed in fiscal year 2013. Generally accepted accounting principles require that cost estimates be based on the present value of consultation and construction costs adjusted for an assumed inflation rate, known as current cost. The current cost of closure and postclosure costs projected in the engineering estimate total \$2,173,050. The estimated remaining life of the landfill at June 30, 2016 is 35 years. The new cell has a capacity of 40,000 yards, of which approximately 4,225 yards were used as of June 30, 2016.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town anticipates financing closure costs by funding and using reserves and/or state grants and local assessments at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	<u>2015</u>	<u>2016</u>
Total estimated future landfill closure and postclosure care costs	\$ 2,114,400	2,173,050
Estimated capacity used	7.09%	10.56%
Estimated gross landfill closure and postclosure care costs – end of year	150,000	230,000
Amounts actually expended	-	-
<u>Estimated liability for landfill closure and postclosure care costs - end of year</u>	<u>150,000</u>	<u>230,000</u>
<u>Estimated remaining landfill closure and postclosure care costs to be recognized</u>	<u>\$ 1,964,400</u>	<u>1,943,050</u>

Federal law requires financial assurance regarding closure and post-closure care. Financial assurance is computed annually through a variety of ratios regarding liquidity, debt, and revenues. The Town has met the financial assurance conditions for 2016.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA). These pools, and the risks of loss to which the Town is exposed, are as follows:

MMA's workers' compensation fund retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000 per occurrence.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT, CONTINUED

MMA's income protection risk and health insurance risk pools are also self-insured. Each member retains \$135,000 of risk in total for the two plans and the pool purchases excess insurance for claims which exceed \$135,000 cumulative for both lines. The health insurance pool has no maximum coverage limit and the income protection has a limit of \$1,000 a week for a maximum of 52 weeks per occurrence.

MMA's property and casualty risk pool retains \$100,000 of risk and purchases excess insurance for claims which exceed \$100,000 up to a maximum coverage of \$1,000,000 for property and casualty coverage per occurrence, \$200,000,000 cumulative coverage for the entire pool, and \$250,000 for crime per entity per occurrence.

The Town is subject to assessments by the risk pools. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016.

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International Town Management Association Retirement Corporation (ICMARC).

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees are permitted to contribute up to the maximum allowed per Internal Revenue Code limits. Employer contributions are not required, unless specifically agreed upon per individual contract with each employee. For the year ended June 30, 2016, the Town's contribution to the plan was \$16,209.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan. Employees are immediately vested in their own as well as employer contributions and earnings on those contributions. There is, therefore, no forfeiture provision.

TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established six tax increment financing (TIF) districts in order to finance development programs in the Town of Orono. The expenditures for these programs are paid for by tax dollars that have been retained under the tax increment financing program.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

Maine Technology Park Omnibus Municipal TIF (Previously Sensor Research Development TIF) - 100% Economic Development - This TIF was established in the spring of 2000 and had a life of 15 years. The original assessed base value in this district was assessed at zero. Acquisitions and improvements made by the Development Program were to result in an estimated investment of approximately \$4,834,100, creating additional tax base within the Town. The Town made available to Sensor Research and Development all of the retained captured tax increment revenues from the District for a period of ten years. These revenues were used by Sensor Research and Development, either to assist it in paying debt service related to financing the Project or as direct payments toward the cost of the Project. Fiscal year ended June 30, 2010 was the final year tax revenues were retained and made available to Sensor Research and Development.

On October 25, 2013, the TIF district was amended and renamed the Maine Technology Park Omnibus Municipal TIF. The term was extended to 30 years ending February 28, 2030. The original assessed base value in this district was assessed at \$4,762,300 as of April 1, 2012 and spans 34.99 acres. The Town is allowed to enter into credit enhancement agreements up to 100% reimbursement, however, there is currently no CEA's in place for this TIF district. The amount of captured tax increment revenues retained by the Town for its approved development purposes for the year ended June 30, 2016 was \$38,501, representing 100% of the captured tax revenues.

EnvisioNet Municipal Development TIF - This TIF was established on July 13, 2000 and has a life of 20 years. The original assessed base value in this district is zero. EnvisioNet filed for bankruptcy in FY14 and the Town decided to retain the 70% TIF revenues that were to be reimbursed. During 2015, the related property was sold and all current and back taxes were paid to the Town in an amount of \$195,550. The amount of tax increment revenues retained by the Town for the year ended June 30, 2016 was \$95,419, representing 100% of the captured tax revenues.

Dirigo Pines TIF - This TIF was established on February 10, 2003 and has a life of 30 years. The original assessed base value in this district is \$182,500 and the development program excludes the first \$433,500 of the increase in assessed value. The development program calls for 30% of the tax revenues derived from the increase in value in excess of \$616,000 to be returned to the developer in accordance with the terms of the credit enhancement agreement.

Fiscal year ended June 30, 2016 was the eleventh year tax revenues were made available to Dirigo Pines. The amount of tax increment revenues made available for the year ended June 30, 2016 was \$108,173, which was returned to the developer.

Downtown and Transit-Oriented Development TIF - 100% Economic Development - This TIF was established on March 17, 2000 and has a life of 30 years. The original assessed base value in this district is \$28,080,265. The Town created the tax increment financing district to fund transportation-related projects for the Town's downtown.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS, CONTINUED

On May 13, 2013, the TIF district was renamed the Downtown and Transit-Oriented Development TIF whereas the original name was Transit-Oriented TIF. The amendment increased the original acreage to 96.4 acres in order to allow the Town to fund various transit and other economic development costs; provide continuing employment opportunities for the citizens of the Town and surrounding region; improve and broaden the tax base of the Town; improve the general economy of the Town, the surrounding region and the State of Maine; and to encourage the development, expansion and improvement of commercial facilities within the Town. The amount of tax increment revenues made available for the year ended June 30, 2016 was \$645,913, of which \$20,749 was returned due to a credit enhancement agreement.

Webster Point TIF - 100% Economic Development - This TIF was established on February 7, 2011 and is in effect until June 30th, 2027. The original assessed base value in this district is zero. Effective May 14, 2012 the Town agreed to a Credit Enhancement Agreement with Webster Point LLC. In that agreement the Town agreed to provide the developer 85% of the tax increment revenues. The Town will use the remaining 15% for approved development projects and mitigating impacts within the district. The amount of tax increment revenues made available for the year ended June 30, 2016 was \$44,157, of which \$37,533 was returned to Webster Point LLC for the credit enhancement agreement.

Penobscot Valley Dermatology Municipal Development TIF - This TIF was established on July 1, 2015 and has a life for 30 years. The Town plans to capture 100% of the increased assessed value of taxable and real and personal property located within the district for thirty years. The original assessed base value in this district is \$200,400. The Town has agreed to a credit enhancement agreement with Cutis Properties, LLC, the corporate entity organized by Penobscot Valley Dermatology to own, redevelop, and manage the property. The CEA calls for a tiered reimbursement of property taxes over the 30 year period as follows: 60% reimbursement for years 1-5; 45% for years 6-15; and 30% for years 16-30. However, these reimbursements are subject to minimum increases in the assessed value of the property. The amount of tax increment revenues made available for the year ended June 30, 2016 was \$20,235, of which \$715 was returned to Cutis Properties LLC for the credit enhancement agreement.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.mainepepers.org.

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Employees are required to contribute 7.5% for the regular plan and 7.5% for the special plan of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2016, was 8.9% of annual payroll for both the regular and special plans. These contributions, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$303,704 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$2,085,401 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.6536%.

For the year ended June 30, 2016, the Town recognized pension expense of \$733,273. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 184,294	-
Differences between expected and actual experience	-	183,634
Net difference between projected and actual earnings on pension plan investments	-	157,554
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	44,364
Town contributions subsequent to the measurement date	303,704	-
Total	\$ 487,998	\$ 385,552

\$303,704 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Year ended June 30:

2017	\$ (104,188)
2018	(104,188)
2019	(153,789)
2020	160,907

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increases	3.5% to 9.5% per year
Investment return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55% per annum

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1 percentage-point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 4,154,736	\$ 2,085,401	\$ 123,543

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2016.

NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2016:

	Governmental <u>activities</u>	Business-type <u>activities</u>
Capital assets	\$ 32,387,043	18,179,525
Accumulated depreciation	(13,980,385)	(6,459,446)
Bonds payable	(13,329,120)	(8,285,000)
Capital leases payable	(329,890)	-
Add back RSU #26 portion of debt	132,500	-
Unspent bond proceeds	224,792	-
Total net investment in capital assets	\$ 5,104,940	3,435,079

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCES

As of June 30, 2016, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Public Works Building</u>	<u>Other Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 4,806	-	-
Long-term receivables	132,500	-	-
Total nonspendable	137,306	-	-
Restricted:			
Downtown TIF	850,964	-	-
Maine Technology Park TIF	33,203	-	-
Penobscot Valley Dermatology TIF	19,520	-	-
Webster Point TIF	15,997	-	-
EnvisioNet TIF	145,932	-	-
Public Works Building Fund	-	75,049	-
MBNA Infrastructure	-	-	38,279
Cemetery	-	-	339,125
Public Library	-	-	61,446
Park Trust – Library Fund	-	-	4,638
Library Construction	-	-	17,215
Total restricted	1,065,616	75,049	460,703

TOWN OF ORONO, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCES, CONTINUED

Assigned:

Assigned for subsequent year's budget	\$ 435,000	-	-
OEDC debt service	2,966,622	-	-
Communications replacement reserve	1,544	-	-
Unemployment reserve	42,034	-	-
Landfill closure reserve	10,487	-	-
HazMat reserve	133,292	-	-
Wood chipper reserve	6,969	-	-
Capital equipment reserve	678,144	-	-
Cable capital support reserve	5,022	-	-
Office computer system reserve	8,197	-	-
Council projects reserve	4,514	-	-
Emergency medical services reserve	7,464	-	-
Major maintenance reserve	18,270	-	-
Safety equipment reserve	12,567	-	-
Public works garage reserve	336,905	-	-
Skate park reserve	17,783	-	-
Bennoch Road reconstruction reserve	4	-	-
Recreation reserve	2,882	-	-
Sally Jacobs sculpture reserve	1,866	-	-
Police forfeiture funds reserve	1,770	-	-
Voting machine reserve	11,513	-	-
Employee benefits reserve	28,909	-	-
Library maintenance reserve	30,384	-	-
Police technology reserve	15	-	-
Ambulance reserve	75,112	-	-
Fire truck reserve	52	-	-
Orono village green reserve	260,000	-	-
Town council – employee recognition	3,000	-	-
Town manager – wellness/salary/cable consortium	9,100	-	-
Finance and administration - codification	5,000	-	-
Code/Planning – comp plan/mapping/GIS software	11,935	-	-
Police – tuition reimbursement	15,000	-	-
Fire Department - legal	1,310	-	-
Library - equipment	1,500	-	-
Parks and recreation – maintenance/scholarships	8,215	-	-
Facilities – repairs/landscaping/senior center	6,500	-	-
Capital infrastructure – streets and sidewalks	145,870	-	-
Miscellaneous – cable access equipment/public health	13,500	-	-
Total assigned	5,318,251	-	-
Total unassigned	2,541,574	-	(125,693)
Total fund balances	\$ 9,062,747	75,049	335,010

TOWN OF ORONO, MAINE
Required Supplementary Information

Retiree Healthcare Plan
Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2009	1/1/2009	\$ -	788,227	788,227	-	3,425,000	23.01%
2010	1/1/2009	-	788,227	788,227	-	2,899,016	27.19%
2011	1/1/2011	-	687,417	687,417	-	2,795,000	24.59%
2012	1/1/2011	-	687,417	687,417	-	2,994,000	22.96%
2013	1/1/2011	-	687,417	687,417	-	3,434,751	20.01%
2014	1/1/2014	-	568,375	568,375	-	3,622,238	15.69%
2015	1/1/2014	-	568,375	568,375	-	3,592,872	15.82%
2016	1/1/2014	-	568,375	568,375	-	3,363,923	16.90%

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*
(Only two years of information available)

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.6536%	0.6802%
Town's proportionate share of the net pension liability	\$ 2,085,401	1,046,695
Town's covered-employee payroll	3,411,083	3,322,232
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.14%	31.51%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

TOWN OF ORONO, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan
Last 10 Fiscal Years
(Only three years of information available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 303,704	267,184	234,994
Contributions in relation to the contractually required contribution	(303,704)	(267,184)	(234,994)
Contribution deficiency (excess)	\$ -	-	-
Town's covered-employee payroll	\$ 3,411,083	3,322,232	3,297,330
Contributions as a percentage of covered- employee payroll	8.90%	8.04%	7.13%

TOWN OF ORONO, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

GENERAL FUND

TOWN OF ORONO, MAINE
Balance Sheet - General Fund
June 30, 2016

ASSETS		
Cash and cash equivalents	\$	9,616,443
Receivables:		
Accounts receivable		202,234
Rescue receivable, net of allowance (\$413,868)		91,254
Taxes receivable - current year		266,528
Taxes receivable - prior years		224,263
Prepaid expenditures		4,806
Interfund loans receivable		157,919
Receivable - RSU #26 debt service payments		132,500
Total assets	\$	10,695,947
LIABILITIES		
Accounts payable		431,974
Accrued payroll and benefits		203,787
Performance bond liability		466,110
Taxes paid in advance		5,429
Total liabilities		1,107,300
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		393,400
Unavailable revenue - RSU #26 debt service payments		132,500
Total deferred inflows of resources		525,900
FUND BALANCE		
Nonspendable - prepaid expenditures		4,806
Nonspendable - long-term receivable		132,500
Restricted		1,065,616
Assigned		5,318,251
Unassigned		2,541,574
Total fund balance		9,062,747
Total liabilities, deferred inflows of resources, and fund balance	\$	10,695,947

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis
For the year ended June 30, 2016

	2016		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 11,295,724	11,293,367	(2,357)
Village Center District taxes	10,150	10,150	-
Supplemental taxes	-	3,887	3,887
Excise taxes	644,100	711,047	66,947
Interest and costs on taxes	42,500	43,440	940
Total taxes	11,992,474	12,061,891	69,417
Intergovernmental:			
State revenue sharing	805,000	864,623	59,623
State road subsidy	67,500	71,268	3,768
General assistance reimbursement	8,600	5,654	(2,946)
BETE reimbursement	24,006	24,106	100
Homestead tax exemption	128,489	128,489	-
Other State grants and reimbursements	17,550	14,107	(3,443)
UMO reimbursements	662,931	662,931	-
Other grants	26,000	24,000	(2,000)
Total intergovernmental	1,740,076	1,795,178	55,102
Licenses and permits:			
Motor vehicle agent fee	12,000	13,222	1,222
Recreational vehicle registration fees	450	-	(450)
Town licenses and permits	6,000	5,660	(340)
Building permits	20,000	25,000	5,000
Plumbing fees	2,500	16,109	13,609
Electrical permits	7,500	9,861	2,361
Land use ordinance fees	3,000	7,136	4,136
Road opening permits	3,000	1,425	(1,575)
Rental unit registration fee	37,000	38,013	1,013
Burning permits	500	349	(151)
Parking permits	5,250	4,405	(845)
Fish and wildlife license fees	500	1,022	522
Dog license fees	400	340	(60)
Birth, death and marriage records	6,000	7,032	1,032
Total licenses and permits	104,100	129,574	25,474
Interest income	47,000	25,832	(21,168)

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis, Continued

	2016		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
Fire and ambulance fees	\$ 433,000	309,222	(123,778)
Advertising	4,500	8,025	3,525
Police fees	5,000	7,847	2,847
Police accident reports	2,500	3,001	501
Police special detail	3,000	8,246	5,246
Court fees	1,500	-	(1,500)
EMS CPR training	-	3,042	3,042
Air bottle refill	450	565	115
School resource officer	31,430	27,000	(4,430)
School crossing guard reimbursement	9,000	9,000	-
Recreation	190,141	125,751	(64,390)
Library income and fees	3,500	4,673	1,173
Public works fees	-	3,935	3,935
Disposal site fees	10,000	14,445	4,445
PERC administrative fee	4,800	4,124	(676)
Cemetery revenue	4,000	5,639	1,639
Rental income	12,000	12,233	233
Total charges for services	714,821	546,748	(168,073)
Other revenues:			
Housing Foundation PILOT	35,000	35,000	-
Freeman Forest PILOT	17,600	17,500	(100)
Parking fines	50,000	27,330	(22,670)
Code enforcement penalties	4,000	9,500	5,500
Fire department donations	-	100	100
Recreation donations	10,000	1,005	(8,995)
Sale of surplus property	3,000	5,515	2,515
Cable franchise fees	60,000	57,873	(2,127)
Recycling revenue	4,000	619	(3,381)
PERC performance credit	91,000	78,208	(12,792)
Miscellaneous revenue	4,500	11,622	7,122
Total other revenues	279,100	244,272	(34,828)
Total revenues	\$ 14,877,571	14,803,495	(74,076)

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis, Continued

	2016		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Town Council	\$ 64,264	57,203	7,061
Town Manager	355,553	341,508	14,045
Finance and administration	367,948	344,965	22,983
Assessor	97,762	94,598	3,164
Elections and voter registration	9,304	9,009	295
Insurance	81,570	77,780	3,790
General assistance	17,200	9,098	8,102
Planning and code enforcement	208,836	199,556	9,280
Employee benefits	20,450	3,743	16,707
Contracted services	65,500	66,314	(814)
Tax increment financing - Dirigo Pines	108,173	108,173	-
Overlay	164,692	-	164,692
Miscellaneous	23,647	23,209	438
Total general government	1,584,899	1,335,156	249,743
Public services:			
Library	291,679	288,152	3,527
Recreation	327,712	282,199	45,513
Facilities	122,526	121,653	873
Municipal and public safety buildings	80,300	65,075	15,225
Library facilities maintenance	21,330	17,416	3,914
Senior Citizen Center	12,080	10,117	1,963
Anderson Community House	13,785	9,024	4,761
Total public services	869,412	793,636	75,776
Public safety:			
Public safety administration	74,217	70,267	3,950
Police Department	1,201,265	1,140,037	61,228
Fire Department	1,432,588	1,436,918	(4,330)
Fire protection	229,000	289,486	(60,486)
Street lights	71,500	72,010	(510)
Haz-Mat	38,947	41,857	(2,910)
Total public safety	3,047,517	3,050,575	(3,058)
Public works:			
General maintenance	407,828	409,651	(1,823)
Winter maintenance	488,200	401,906	86,294
Cemetery	74,345	69,998	4,347
Solid waste disposal	316,390	311,604	4,786
Town garage	225,584	232,432	(6,848)
Total public works	1,512,347	1,425,591	86,756

TOWN OF ORONO, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis, Continued

	2016		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Educational assessment	\$ 5,902,151	5,902,884	(733)
County tax	529,159	529,159	-
Debt service:			
Principal	295,000	295,000	-
Interest	142,837	142,837	-
Total debt service	437,837	437,837	-
Capital expenditures:			
Capital equipment	456,637	393,745	62,892
Capital infrastructure	1,161,560	958,390	203,170
Capital facilities	52,750	52,499	251
Total capital expenditures	1,670,947	1,404,634	266,313
Total expenditures	15,554,269	14,879,472	674,797
(Excess) deficiency of revenues over (under) expenditures	(676,698)	(75,977)	600,721
Other financing sources (uses):			
Transfers-in	862,284	744,784	(117,500)
Transfers-out	(1,018,349)	(1,018,349)	-
Utilization of assigned balance	470,763	-	(470,763)
Utilization of unassigned balance	362,000	-	(362,000)
Total other financing sources (uses)	676,698	(273,565)	(950,263)
Net change in fund balances, budgetary basis	-	(349,542)	(349,542)
Fund balance, beginning of year-budgetary basis		6,658,418	
Fund balance, end of year-budgetary basis		6,308,876	
Amounts held in reserves		2,753,871	
Fund balance, end of year		\$ 9,062,747	

TOWN OF ORONO, MAINE
General Fund Reserves
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Fund balances beginning of year	Interest income	Other Revenues	Expenditures	Transfers in	Transfers out	Fund balances/ (deficits) end of year
Orono Economic Development Corporation	\$ 479,214	8,887	-	494,544	-	-	(6,443)
Communications replacement	1,532	12	-	-	-	-	1,544
Unemployment	36,563	271	5,200	-	-	-	42,034
Landfill closure	10,410	77	-	-	-	-	10,487
HazMat reserve	128,886	955	7,704	4,253	-	-	133,292
Wood chipper	6,917	52	-	-	-	-	6,969
Capital equipment	868,147	7,256	-	-	75,000	(272,259)	678,144
Cable capital support	22	-	-	-	5,000	-	5,022
Downtown TIF	754,510	5,737	-	495,196	645,913	(60,000)	850,964
OTO Fiber	-	-	-	1,001	-	-	(1,001)
Office computer system	8,137	60	-	-	-	-	8,197
Council reserve projects	4,481	33	-	-	-	-	4,514
Emergency medical services	7,409	55	-	-	-	-	7,464
Major maintenance	8,179	91	-	-	10,000	-	18,270
Safety equipment	13,963	104	-	-	-	(1,500)	12,567
Public works garage	334,426	2,479	-	-	-	-	336,905
Maine Technology Park TIF	96,288	735	-	42,321	38,501	(60,000)	33,203
Penobscot Valley Dermatology TIF	-	-	-	715	20,235	-	19,520
Skate park	18,526	137	120	1,000	-	-	17,783
Bennoch Road reconstruction	4	-	-	-	-	-	4
Recreation reserve	2,861	21	-	-	-	-	2,882
Sally Jacobs sculpture steward	1,852	14	-	-	-	-	1,866
Police forfeiture funds	8,209	61	-	-	-	(6,500)	1,770
Voting machine	19,568	145	-	-	-	(8,200)	11,513
Employee benefits	49,419	366	-	-	4,124	(25,000)	28,909
Library maintenance	25,197	187	-	-	5,000	-	30,384
Police technology reserve	-	15	-	-	-	-	15
Ambulance reserve	-	112	-	-	75,000	-	75,112
Fire truck reserve	-	52	-	-	-	-	52
Orono village green	-	-	235,000	-	25,000	-	260,000
Webster Point TIF	9,303	70	-	37,533	44,157	-	15,997
EnvisioNet TIF	295,526	2,323	-	72,336	95,419	(175,000)	145,932
Total General Fund reserves	\$ 3,189,549	30,307	248,024	1,148,899	1,043,349	(608,459)	2,753,871

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF ORONO, MAINE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds					Capital Project Fund	Totals	
	Grant Fund	MBNA Infrastructure	Cemetery	Public Library	Park Trust - Library Fund	Library Construction		
ASSETS								
Cash and cash equivalents	\$	-	38,279	63,979	3,011	4,638	17,215	127,122
Investments		-	-	275,146	58,435	-	-	333,581
Total assets	\$	-	38,279	339,125	61,446	4,638	17,215	460,703
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund loans payable		125,693	-	-	-	-	-	125,693
Total liabilities		125,693	-	-	-	-	-	125,693
Fund balances (deficit):								
Restricted		-	38,279	339,125	61,446	4,638	17,215	460,703
Unassigned		(125,693)	-	-	-	-	-	(125,693)
Total fund balance (deficit)		(125,693)	38,279	339,125	61,446	4,638	17,215	335,010
Total liabilities and fund balances	\$	-	38,279	339,125	61,446	4,638	17,215	460,703

TOWN OF ORONO, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds					Capital Project Fund	
	Grant Fund	MBNA Infrastructure	Cemetery	Public Library	Park Trust - Library Fund	Library Construction	Totals
Revenues:							
Intergovernmental	\$ 1,400	-	-	-	-	-	1,400
Interest income	-	282	4,187	4,207	34	311	9,021
Other	2,288	-	-	-	-	-	2,288
Total revenues	3,688	282	4,187	4,207	34	311	12,709
Expenditures:							
Current:							
Program expenditures	67,587	-	-	-	-	-	67,587
Total expenditures	67,587	-	-	-	-	-	67,587
Excess (deficiency) of revenues over (under) expenditures	(63,899)	282	4,187	4,207	34	311	(54,878)
Other financing uses:							
Transfers-out	-	-	-	-	-	(25,000)	(25,000)
Total other financing uses	-	-	-	-	-	(25,000)	(25,000)
Net change in fund balances	(63,899)	282	4,187	4,207	34	(24,689)	(79,878)
Fund balances (deficit), beginning of year	(61,794)	37,997	334,938	57,239	4,604	41,904	414,888
Fund balances (deficit), end of year	\$ (125,693)	38,279	339,125	61,446	4,638	17,215	335,010